

Allendale Public Schools

**Financial Report
with Supplemental Information
June 30, 2004**

Allendale Public Schools

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Independent Auditor's Report

To the Board of Education
Allendale Public Schools

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Allendale Public Schools as of and for the year ended June 30, 2004, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Allendale Public Schools' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Allendale Public Schools as of June 30, 2004, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis (identified in the table of contents) is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

To the Board of Education
Allendale Public Schools

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Allendale Public Schools' basic financial statements. The accompanying required supplemental information and other supplemental information, as identified in the table of contents, are not a required part of the basic financial statements. The required supplemental information is information required by the Governmental Accounting Standards Board; the other supplemental information is presented for the purpose of additional analysis. The required supplemental information and the other supplemental information have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued a report under separate cover dated September 8, 2004 on our consideration of the School District's internal control over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide opinions on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Plante & Moran, PLLC

September 8, 2004

Allendale Public Schools

Management's Discussion and Analysis

This section of Allendale Public Schools' annual financial report presents our discussion and analysis of the School District's financial performance during the year ended June 30, 2004. Please read it in conjunction with the School District's financial statements, which immediately follow this section.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Allendale Public Schools financially as a whole. The district-wide financial statements provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short term as well as what remains for future spending. The fund financial statements look at the School District's operations in more detail than the district-wide financial statements by providing information about the School District's most significant funds - the General Fund and the 2002 School Building and Site Capital Projects Fund, with all other funds presented in one column as nonmajor funds. The remaining statement, the statement of fiduciary assets and liabilities, presents financial information about activities for which the School District acts solely as an agent for the benefit of students and parents.

Management's Discussion and Analysis (MD&A)
(Required Supplemental Information)

Basic Financial Statements

District-wide Financial Statements Fund Financial Statements

Notes to the Basic Financial Statements

(Required Supplemental Information)
Budgetary Information for Major Funds

Other Supplemental Information

Reporting the School District as a Whole - District-wide Financial Statements

One of the most important questions asked about the School District is, "As a whole, what is the School District's financial condition as a result of the year's activities?" The statement of net assets (deficit) and the statement of activities, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

Allendale Public Schools

Management's Discussion and Analysis (Continued)

These two statements report the School District's net assets - the difference between assets and liabilities, as reported in the statement of net assets (deficit) - as one way to measure the School District's financial health or financial position. Over time, increases or decreases in the School District's net assets - as reported in the statement of activities - are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the School District's operating results. However, the School District's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other nonfinancial factors, such as the quality of the education provided and the safety of the schools, to assess the overall health of the School District.

The statement of net assets (deficit) and the statement of activities report the governmental activities for the School District, which encompass all of the School District's services, including instruction, support services, community services, athletics, and food services. Property taxes, unrestricted State aid (foundation allowance revenue), and state and federal grants finance most of these activities.

Reporting the School District's Most Significant Funds - Fund Financial Statements

The School District's fund financial statements provide detailed information about the most significant funds - not the School District as a whole. Some funds are required to be established by State law and by bond covenants. However, the School District establishes many other funds to help it control and manage money for particular purposes (the Food Services and Athletics Funds are examples) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money (such as bond-funded construction funds used for voter-approved capital projects). The governmental funds of the School District use the following accounting approach:

Governmental funds - All of the School District's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year end that are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the School District and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net assets (deficit) and the statement of activities) and governmental funds in a reconciliation.

Allendale Public Schools

Management's Discussion and Analysis (Continued)

The School District as Trustee - Reporting the School District's Fiduciary Responsibilities

The School District is the trustee, or fiduciary, for its student activity funds. All of the School District's fiduciary activities are reported in a separate statement of fiduciary assets and liabilities. We exclude these activities from the School District's other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

The School District as a Whole

Recall that the statement of net assets (deficit) provides the perspective of the School District as a whole. Table I provides a summary of the School District's net assets as of June 30, 2004 and 2003:

TABLE I

	Governmental Activities	
	2004	2003
	(in millions)	
Assets		
Current and other assets	\$ 16.4	\$ 29.4
Capital assets	37.6	23.3
Total assets	54.0	52.7
Liabilities		
Current liabilities	9.3	6.8
Long-term liabilities	52.1	51.3
Total liabilities	61.4	58.1
Net Assets (Deficit)		
Invested in property and equipment - Net of related debt	(8.8)	(6.3)
Restricted	0.4	-
Unrestricted	1.0	0.9
Total deficit	<u>\$ (7.4)</u>	<u>\$ (5.4)</u>

Allendale Public Schools

Management's Discussion and Analysis (Continued)

The above analysis focuses on the net assets (see Table 1). The change in net assets (see Table 2) of the School District's governmental activities is discussed below. The School District's capital assets, net of related debt totaling (\$8.8 million), compares the original cost, less depreciation of the School District's capital assets to long-term debt used to finance the acquisition of those assets. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. The School District's net assets (deficit) were (\$7.4 million) at June 30, 2004. It is important to note that if the School District did not participate in the School Bond Loan Fund (SBLF) (see Note 7), the School District would have a positive net asset amount. SBLF participation allows districts with low taxable values to lessen the immediate property tax burden to local residents for needed school facilities by levying a minimum of 7 mills and borrowing the remaining funds required for debt service from the SBLF. Repayment of amounts borrowed, together with accrued interest, will occur at a future time when taxable values are high enough to allow the School District to meet all debt service requirements by levying below 7 mills. The School District would continue to levy at least 7 mills, however, until the SBLF is repaid. This will occur at some future date. Restricted net assets are reported separately to show legal constraints from debt covenants and enabling legislation that limit the School District's ability to use those net assets for day-to-day operations. The remaining amount of net assets, \$1,033,198, was unrestricted.

The \$1,033,198 in unrestricted net assets of governmental activities represents the accumulated results of all past years' operations. The unrestricted net assets balance enables the School District to meet working capital and cash flow requirements as well as to provide for future uncertainties. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

The results of this year's operations for the School District as a whole are reported in the statement of activities (see Table 2), which shows the changes in net assets for fiscal years ended June 30, 2004 and 2003:

Allendale Public Schools

Management's Discussion and Analysis (Continued)

TABLE 2

	Governmental Activities	
	2004	2003
	(in millions)	
Revenue		
Program revenue:		
Charges for services	\$ 0.4	\$ 0.4
Operating grants	1.8	1.6
General revenue:		
Property taxes	2.5	2.5
State foundation allowance	12.9	12.7
Other	0.9	0.7
Total revenue	18.5	17.9
Functions/Program Expenses		
Instruction	10.8	10.2
Support services	5.0	5.0
Food services	0.5	0.5
Athletics	0.3	0.3
Interest on long-term debt	2.8	2.0
Depreciation (unallocated)	1.0	1.0
Total functions/program expenses	20.4	19.0
Decrease in Net Assets	\$ (1.9)	\$ (1.1)

As reported in the statement of activities, the cost of all of our governmental activities this year was \$20.4 million. Certain activities were partially funded from those who benefited from the programs (\$413,050) or by other governments and organizations that subsidized certain programs with grants and contributions (\$1.8 million). We paid for the remaining "public benefit" portion of our governmental activities with \$2.5 million in taxes, \$12.9 million in State foundation allowance, and with our other revenues, i.e., interest and general entitlements.

Allendale Public Schools

Management's Discussion and Analysis (Continued)

The School District experienced a decrease in net assets of \$1,972,831. Key reasons for the change in net assets were unallocated depreciation of \$1,014,212 and a deficiency of revenue and other financing sources over expenditures and other uses of \$958,619. It is also important to note when discussing this deficiency that bond proceeds are not listed as a financing source. The School District's participation in the SBLF, for reasons earlier discussed, resulted in its borrowing of an additional \$1.53 million (exclusive of accrued and capitalized interest) to assist in the payment of bonded debt. This borrowing was in lieu of a duty to otherwise levy a higher property tax on the property of School District residents to meet payments required on bonded debt. As discussed above, the net cost shows the financial burden that was placed on the State and the School District's taxpayers by each of these functions. Since property taxes for operations and unrestricted State aid constitute the vast majority of district operating revenue sources, the Board of Education and administration must annually evaluate the needs of the School District and balance those needs with State-prescribed available unrestricted resources.

The School District's Funds

As we noted earlier, the School District uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the School District is being accountable for the resources taxpayers and others provide to it and may provide more insight into the School District's overall financial health.

As the School District completed this year, the governmental funds reported a combined fund balance of \$9,101,026, which is a decrease of \$15,342,466 from last year. The primary reasons for the decrease are as follows:

General Fund

In the General Fund, our principal operating fund, the fund balance increased by \$151,951 to \$800,501, despite reductions in foundation and categorical revenue related to executive order reductions in State aid applied to all districts. The change is due mainly to decreases in the growth of staff and operating expenditures in an effort to control costs.

General Fund fund balance is available to fund costs related to allowable school operating purposes.

Special Revenue Funds

Our Special Revenue Funds remained stable from the prior years, showing a net increase of approximately \$10,000.

Allendale Public Schools

Management's Discussion and Analysis (Continued)

Debt Service Funds

Combined, the Debt Service Funds fund balances increased to \$227,638, a positive change of \$160,928 from the prior year. The increase was due to excess bond refunding proceeds of \$187,192 which were returned to the School District for use in its Debt Service Funds from an earlier refunding (refinancing for lower net interest cost) of a portion of its 1994 bonded indebtedness. Millage rates remained steady. Millage rates are determined annually to ensure that the School District accumulates sufficient resources to pay annual bond issue-related debt service. Durant debt obligations are funded by annual State appropriation, and no fund balance exists at year end. Debt Service Funds fund balances are reserved since they can only be used to pay debt service obligations.

Capital Projects Funds

Capital Projects Funds fund balances decreased as the School District continued with the capital construction projects approved by voters in September 2002. The School District was nearing completion of a new elementary school complex, and in the middle of the construction of a new auditorium addition to its high school building. Earlier in the fiscal year, the School District completed the construction of a new bus maintenance facility and a new multipurpose room addition to its high school facility. Use of Capital Projects Fund investments to pay for these voter-approved projects comprises the entire explanation for the decrease in combined fund balance in the governmental funds.

General Fund Budgetary Highlights

Over the course of the year, the School District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. The final amendment to the budget was actually adopted February 2, 2004. A schedule showing the School District's original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements.

There were no significant variances between the final budget and actual amounts.

Allendale Public Schools

Management's Discussion and Analysis (Continued)

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2004, the School District had \$37,646,986 (net of accumulated depreciation of \$10,158,535) invested in a broad range of capital assets, including land, buildings, vehicles, furniture and equipment.

	2004	2003
Land	\$ 1,112,506	\$ 1,112,506
Construction in progress	13,435,408	1,894,344
Land improvements	936,814	683,025
Buildings and building improvements	25,505,329	22,633,641
Buses and other vehicles	1,221,159	1,108,917
Furniture and equipment	5,594,305	5,035,783
Total capital assets	<u><u>\$ 47,805,521</u></u>	<u><u>\$ 32,468,216</u></u>

We present more detailed information about our capital assets in the notes to the financial statements.

Debt

At the end of this year, the School District had \$43,206,862 in bonds outstanding versus \$44,596,862 in the previous year. Those bonds consisted of the following:

	2004	2003
General Obligation Bonds	\$ 43,230,000	\$ 44,620,000
Less unamortized bond issuance costs	(120,295)	(120,295)
Durant Non-Plaintiff Bond	97,157	97,157
Total bonds payable	<u><u>\$ 43,206,862</u></u>	<u><u>\$ 44,596,862</u></u>

The School District's general obligation bond rating continues to be the same as that of the State of Michigan because the School District issues "qualified debt," i.e., debt backed by the State of Michigan. Such obligations are not subject to the debt limit of 15 percent of the assessed value of all taxable property within the School District's boundaries. The School District's outstanding unqualified general obligation debt of \$202,712 for bus purchases is significantly below this statutorily imposed limit.

The school bond loan payable outstanding at the end of the year was \$10,064,943.

We present more detailed information about our long-term liabilities in the notes to the financial statements.

Allendale Public Schools

Management's Discussion and Analysis (Continued)

Economic Factors and Next Year's Budgets and Rates

Our elected officials and administration consider many factors when setting the School District's annual fiscal year budget. One of the most important factors affecting the budget is our student count. The State foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The blended count for the 2004 fiscal year is 20 percent and 80 percent of the February 2003 and September 2003 student counts, respectively. The initial budget was adopted in June 2003, based on an estimate of students that will be enrolled in September 2003. Approximately 82 percent of total General Fund revenue is from the foundation allowance. Under State law, the School District cannot assess additional property tax revenue for general operations. As a result, district funding is heavily dependent on the State's ability to fund local school operations. Based on early enrollment data at the start of the 2004-2005 school year, we anticipate that the fall student count will be close to the estimates used in creating the 2004-2005 budget. Once the final student count and related per pupil funding is validated, State law requires the School District to amend the budget if actual district resources are not sufficient to fund original appropriations.

Since the School District's revenue is heavily dependent on State funding and the health of the State's School Aid Fund, the actual revenue received depends on the State's ability to collect revenues to fund its appropriation to school districts. The State periodically holds a revenue-estimating conference to estimate revenues. Based on the results of the most recent conference held in May 2004, the State estimates funds are sufficient to fund the appropriation. Continuing pressures on the State's economy make uncertain the findings of the next revenue-estimating conference scheduled for January 2005. If revenue estimates needed to fund appropriations for school districts for the 2004-2005 school year are revised downward to a level that is insufficient to meet present appropriations, a proration of State aid will occur. The impact on the School District if such a proration should occur is unknown at this time.

At June 30, 2004, the School District was still in the midst of labor contract negotiations with the Allendale Education Association - MEA, NEA union, which represents the School District's teachers, and also with the Allendale Support Personnel Association - MEA, NEA union, which represents the School District's aides and paraprofessionals. The School District has reserved amounts for the potential settlement of labor contracts with these unions. As a result of reserved amounts, the financial impact on the 2004-2005 operations of the likely settlement of these contracts is estimated by the School District to be within its budgeted expenditures, and will not have a material effect upon operations.

Allendale Public Schools

Statement of Net Assets (Deficit) June 30, 2004

	Governmental Activities
Assets	
Cash and investments (Note 3)	\$ 2,567,672
Receivables - Net (Note 4)	2,699,417
Inventories	6,495
Prepaid costs	270,481
Restricted assets (Note 3)	10,849,215
Capital assets - Net (Note 5)	<u>37,646,986</u>
Total assets	54,040,266
Liabilities	
Accounts payable	1,721,422
Accrued payroll and other liabilities	3,071,761
Retainage payable	1,156,583
State Aid Anticipation Note (Note 10)	2,000,000
Long-term liabilities (Note 7):	
Due within one year	1,417,617
Due in more than one year	<u>52,056,900</u>
Total liabilities	<u>61,424,283</u>
Net Assets (Deficit)	
Investment in capital assets - Net of related debt	(8,854,345)
Restricted:	
Debt service	227,638
Capital projects	209,492
Unrestricted	<u>1,033,198</u>
Total deficit	<u><u>\$ (7,384,017)</u></u>

Allendale Public Schools

Statement of Activities Year Ended June 30, 2004

	Program Revenues			Governmental Activities
				Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants/ Contributions	
Functions/Programs				
Primary government - Governmental activities:				
Instruction	\$ 10,823,541	\$ -	\$ 1,632,208	\$ (9,191,333)
Support services	4,999,465	-	-	(4,999,465)
Food services	485,977	318,844	169,846	2,713
Athletics	304,513	61,668	-	(242,845)
Community services	-	32,538	-	32,538
Interest on long-term debt	2,829,518	-	-	(2,829,518)
Intergovernmental transfers	37,415	-	-	(37,415)
Bond issuance costs	4,085	-	-	(4,085)
Depreciation (unallocated)	1,014,212	-	-	(1,014,212)
Total primary government - Governmental activities	<u>\$ 20,498,726</u>	<u>\$ 413,050</u>	<u>\$ 1,802,054</u>	(18,283,622)
General revenues:				
Taxes:				
Property taxes, levied for general purposes				553,042
Property taxes, levied for debt services				1,938,899
State aid not restricted to specific purposes				12,875,884
Interest and investment earnings				332,830
Other				610,136
Total general revenues				<u>16,310,791</u>
Change in Net Assets (Deficit)				(1,972,831)
Net Assets (Deficit) - Beginning of year				<u>(5,411,186)</u>
Net Assets (Deficit) - End of year				<u>\$ (7,384,017)</u>

Allendale Public Schools

Governmental Funds Balance Sheet June 30, 2004

	General	Capital Projects	Other Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Cash and investments (Note 3)	\$ 2,287,516	\$ 10,849,215	\$ 280,156	\$ 13,416,887
Receivables - Net (Note 4)	2,647,563	-	51,854	2,699,417
Due from other funds (Note 6)	8,370	-	20,138	28,508
Inventories	-	-	6,495	6,495
Prepaid costs	156,869	-	-	156,869
Total assets	<u>\$ 5,100,318</u>	<u>\$ 10,849,215</u>	<u>\$ 358,643</u>	<u>\$ 16,308,176</u>
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 36,621	\$ 1,686,976	\$ 93	\$ 1,723,690
Accrued payroll	992,514	-	5,725	998,239
Accrued benefits	212,906	-	-	212,906
Accrued liabilities	380,550	-	-	380,550
Retainages payable	-	1,156,583	-	1,156,583
State Aid Anticipation Note	2,000,000	-	-	2,000,000
Due to other funds (Note 6)	20,138	-	6,102	26,240
Due to other governmental units	657,088	-	-	657,088
Deferred revenue (Note 4)	-	-	51,854	51,854
Total liabilities	4,299,817	2,843,559	63,774	7,207,150
Fund Balances				
Reserved:				
Encumbrances	270,583	537,291	-	807,874
Inventories	-	-	6,495	6,495
Prepays	156,869	-	-	156,869
Capital projects	-	7,468,365	-	7,468,365
Debt service	-	-	227,638	227,638
Unreserved - Undesignated, reported in:				
General Fund	373,049	-	-	373,049
Special Revenue Funds	-	-	60,736	60,736
Total fund balances	<u>800,501</u>	<u>8,005,656</u>	<u>294,869</u>	<u>9,101,026</u>
Total liabilities and fund balances	<u>\$ 5,100,318</u>	<u>\$ 10,849,215</u>	<u>\$ 358,643</u>	<u>\$ 16,308,176</u>

Allendale Public Schools

Governmental Funds **Reconciliation of the Balance Sheet of Governmental Funds** **to the Statement of Net Assets (Deficit)** **Year Ended June 30, 2004**

Fund Balance - Total Governmental Funds \$ 9,101,026

Amounts reported for governmental activities in the
statement of net assets (deficit) are different because:

Capital assets used in governmental activities are not
financial resources and are not reported in the
governmental funds:

Cost of capital assets	\$ 47,805,521	
Accumulated depreciation	<u>(10,158,535)</u>	37,646,986

Other long-term assets not available to pay current period expenditures therefore deferred in the governmental funds		51,854
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Prepaid bond issuance costs that are amortized over the life of the bonds and deferred in the governmental funds		113,612
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Long-term liabilities are not due and payable in the current period and are not reported in the governmental funds - Bonds payable included premium/discount		(53,474,517)
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Accrued interest payable is not included as a liability in governmental funds		<u>(822,978)</u>
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Net Assets - Governmental Activities **\$ (7,384,017)**

Allendale Public Schools

Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended June 30, 2004

	General	Capital Projects	Other Nonmajor Governmental Funds	Total Governmental Funds
Revenue				
Local sources	\$ 982,264	\$ 324,709	\$ 2,357,381	\$ 3,664,354
State sources	13,232,632	-	-	13,232,632
Federal sources	507,434	-	169,846	677,280
Interdistrict sources	768,026	-	-	768,026
Total revenue	15,490,356	324,709	2,527,227	18,342,292
Expenditures				
Current:				
Instruction	10,032,838	-	-	10,032,838
Support services	4,999,465	-	790,490	5,789,955
Debt service:				
Principal	22,617	-	1,390,000	1,412,617
Interest	-	-	2,594,989	2,594,989
Other	-	75	1,837	1,912
Capital outlay	124,174	15,992,032	11,802	16,128,008
Intergovernmental transfers	37,415	-	-	37,415
Total expenditures	15,216,509	15,992,107	4,789,118	35,997,734
Excess (Deficiency) of Revenue Over Expenditures	273,847	(15,667,398)	(2,261,891)	(17,655,442)
Other Financing Sources (Uses)				
Transfers in (Note 6)	-	-	234,138	234,138
Transfers out (Note 6)	(234,138)	-	-	(234,138)
Bond defeasance refund	-	-	187,192	187,192
Long-term debt issued	112,242	-	2,013,542	2,125,784
Total other financing sources (uses)	(121,896)	-	2,434,872	2,312,976
Net Change in Fund Balances	151,951	(15,667,398)	172,981	(15,342,466)
Fund Balances - Beginning of year	648,550	23,673,054	121,888	24,443,492
Fund Balances - End of year	<u>\$ 800,501</u>	<u>\$ 8,005,656</u>	<u>\$ 294,869</u>	<u>\$ 9,101,026</u>

Allendale Public Schools

Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2004

Net Change in Fund Balances - Total Governmental Funds **\$ (15,342,466)**

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlay as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:

Depreciation expense	\$ (1,014,212)	
Capitalized capital outlay	<u>15,337,305</u>	14,323,093

Revenue is reported in the statement of activities at the time it is earned, without regard to timeliness of collection	(1,752)
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Bond proceeds are not reported as financing sources on the statement of activities	(2,125,784)
------------------------------------------------------------------------------------	-------------

Amortization of bond escrow deposit	(4,010)
-------------------------------------	---------

Accrued interest is recorded in the statement of activities when incurred; it is not reported in governmental funds until paid	(234,529)
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Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	<u>1,412,617</u>
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Change in Net Assets of Governmental Activities **\$ (1,972,831)**

Allendale Public Schools

Fiduciary Fund Statement of Fiduciary Assets and Liabilities June 30, 2004

	Student Activities Agency Fund
Assets	
Cash and investments	\$ 157,043
Due from employees	<u>60</u>
Total assets	<u>\$ 157,103</u>
Liabilities	
Due to student groups	\$ 154,835
Due to other funds	<u>2,268</u>
Total liabilities	<u>\$ 157,103</u>

Note I - Summary of Significant Accounting Policies

The accounting policies of Allendale Public Schools (the "School District") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the School District:

Reporting Entity

The School District is governed by an elected seven-member Board of Education. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the School District's reporting entity, and which organizations are legally separate, component units of the School District. Based on the application of the criteria, the School District does not contain any component units.

District-wide and Fund Financial Statements

The district-wide financial statements (i.e., the statement of net assets (deficit) and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All of the School District's district-wide activities are considered governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments, and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental and fiduciary funds, even though the latter are excluded from the district-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Note I - Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

District-wide Financial Statements - The district-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants, categorical aid, and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

As a general rule, the effect of interfund activity has been eliminated from the district-wide financial statements.

Amounts reported as program revenue include (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes and unrestricted State aid.

Fund Financial Statements - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, unrestricted State aid, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the School District.

Fiduciary fund statements are also reported using the economic resources measurement focus and the accrual basis of accounting.

Note 1 - Summary of Significant Accounting Policies (Continued)

The School District reports the following major governmental funds:

General Fund - The General Fund is the School District's primary operating fund. It accounts for all financial resources of the School District, except those required to be accounted for in another fund.

2002 School Building and Site Bonds Capital Projects Fund - The 2002 School Building and Site Bonds Capital Projects Fund is used to record bond proceeds or other revenue and the disbursement of invoices specifically designated for acquiring new school sites, buildings, equipment, and for remodeling. The fund operates until the purpose for which it was created is accomplished.

Additionally, the School District reports the following fund types:

Debt Service Funds - The Debt Service Funds are used to record tax, interest, other revenue for payment of interest, principal, and other expenditures on the bond issues.

Special Revenue Funds - The Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditure for specified purposes. The School District's Special Revenue Funds include the Food Services and Athletics Funds. Any operating deficit generated by these activities is the responsibility of the General Fund.

Assets, Liabilities, and Net Assets or Equity

Cash and Investments - Cash and investments include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds."

Note 1 - Summary of Significant Accounting Policies (Continued)

All trade and property tax and other trade receivables are shown net of an allowance for uncollectible amounts. The School District considers all receivables to be fully collectible; accordingly, no allowance for uncollectible amounts is recorded. Property taxes are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are billed on July 1 and a special one-time levy for mills related to the 2002 bond issue took place in December. Taxes are considered delinquent on March 1 of the following year. At this time, penalties and interest are assessed and the total obligation is added to the county tax rolls.

Inventories and Prepaid Costs - Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid costs in both district-wide and fund financial statements.

Restricted Assets - The unspent bond proceeds and related interest of the Capital Projects Funds require amounts to be set aside for construction. These amounts have been classified as restricted assets.

Capital Assets - Capital assets, which include land, buildings, equipment, and vehicles, are reported in the governmental column in the district-wide financial statements. Capital assets are defined by the School District as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of five years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extend asset life are not capitalized. The School District does not have infrastructure-type assets.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and building additions	20-50 years
Buses and other vehicles	7-10 years
Furniture and other equipment	5-20 years

Note 1 - Summary of Significant Accounting Policies (Continued)

Long-term Obligations - In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and are amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period.

The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Comparative Data/Reclassifications - Comparative data is not included in the School District's financial statements.

Note 2 - Stewardship, Compliance, and Accountability

Budgetary Information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles and State law for the General Fund and all Special Revenue Funds. All annual appropriations lapse at fiscal year end.

The budget document presents information by fund, function, and object. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function (object) level. State law requires the School District to have its budget in place by July 1. Expenditures in excess of amounts budgeted are a violation of Michigan law. State law permits districts to amend their budgets during the year. During the year, the budget was amended in a legally permissible manner. There were no significant amendments during the year.

Note 2 - Stewardship, Compliance, and Accountability (Continued)

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g. purchase orders, contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the goods or services have not been received as of year end; the commitments will be reappropriated and honored during the subsequent year.

Excess of Expenditures Over Appropriations in Budgeted Funds - The School District did not have significant expenditure budget variances.

Capital Projects Fund Compliance - The Capital Projects Fund includes capital project activities funded with bonds issued after May 1, 1994. For these capital projects, the School District has complied with the applicable provisions of §1351a of the Revised School Code.

Note 3 - Deposits and Investments

State statutes and the School District's investment policy authorize the School District to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The School District is allowed to invest in U.S. Treasury or Agency obligations, U.S. government repurchase agreements, bankers' acceptances, commercial paper rated prime at the time of purchase that matures not more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles. The School District's deposits are in accordance with statutory authority.

At year end, the School District's deposits and investments were reported in the basic financial statements in the following categories:

	Governmental	
	Activities	Fiduciary Fund
Cash and cash equivalents	\$ 2,567,672	\$ 157,043
Restricted assets (investments)	10,849,215	-
Total	<u>\$ 13,416,887</u>	<u>\$ 157,043</u>

Note 3 - Deposits and Investments (Continued)

The breakdown between deposits and investments for the School District is as follows:

	Governmental Activities	Fiduciary Funds
Bank deposits (checking and savings accounts, certificates of deposit)	\$ 2,567,672	\$ 157,043
Investments in securities, mutual funds, and similar vehicles	<u>10,849,215</u>	<u>-</u>
Total	<u>\$ 13,416,887</u>	<u>\$ 157,043</u>

The deposits of the School District were reflected in the accounts of the financial institution at \$2,746,664, of which \$200,769 is covered by federal depository insurance.

The School District believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the School District evaluates each financial institution with which it deposits School District funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

The School District's investments at year end were entirely invested in interlocal agreement investment pools that had a carrying amount and market value of \$10,849,215.

Investments are normally categorized to give an indication of the level of risk assumed by the School District; however, interlocal agreement investment pools are not subject to categorization because they are not evidenced by securities that exist in physical or book entry form. Investments under the interlocal agreement (MILAF) are regulated by the Urban Cooperation Act. The fair value of the position in the interlocal agreement pools is the same as the value of the pool shares.

Allendale Public Schools

Notes to Financial Statements June 30, 2004

Note 4 - Receivables

Receivables as of year end for the School District's individual major funds and the nonmajor funds in the aggregate are as follows:

	General Fund	Nonmajor and Other Funds	Total
Receivables:			
Taxes	\$ 95,338	\$ 51,854	\$ 147,192
Accounts	154,424	-	154,424
Intergovernmental	<u>2,397,801</u>	<u>-</u>	<u>2,397,801</u>
Net receivables	<u>\$ 2,647,563</u>	<u>\$ 51,854</u>	<u>\$ 2,699,417</u>

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. At the end of the current fiscal year, the deferred revenue associated with unavailable delinquent property taxes was \$51,854.

Allendale Public Schools

Notes to Financial Statements June 30, 2004

Note 5 - Capital Assets

Capital asset activity of the School District's governmental activities was as follows:

	Balance July 1, 2003	Additions	Balance June 30, 2004
Capital assets not being depreciated:			
Land	\$ 1,112,506	\$ -	\$ 1,112,506
Construction in progress	1,894,344	11,541,064	13,435,408
Capital assets being depreciated:			
Land improvements	683,025	253,789	936,814
Building and building improvements	22,633,641	2,871,688	25,505,329
Buses and other vehicles	1,108,917	112,242	1,221,159
Furniture and equipment	5,035,783	558,522	5,594,305
Subtotal	32,468,216	15,337,305	47,805,521
Accumulated depreciation:			
Land improvements	274,948	42,254	317,202
Building and building improvements	4,494,245	540,976	5,035,221
Buses and other vehicles	883,423	22,533	905,956
Furniture and equipment	3,491,707	408,449	3,900,156
Subtotal	9,144,323	1,014,212	10,158,535
Net capital assets being depreciated	20,317,043	2,782,029	23,099,072
Net governmental capital assets	\$ 23,323,893	\$ 14,323,093	\$ 37,646,986

Depreciation expense was not charged to activities as the School District considers its assets to impact multiple activities and allocation is not practical.

Allendale Public Schools

Notes to Financial Statements June 30, 2004

Note 5 - Capital Assets (Continued)

Construction Commitments - The School District has active construction projects at year end. The projects include the 2002 School Building and Site Bonds issue and the new elementary school, existing elementary addition/remodel, and new auditorium, multi-purpose room, and high school remodel projects. At year end, the School District's commitments with contractors are as follows:

	<u>Spent to Date</u>	<u>Remaining Commitment</u>
2002 School Building and Site Bonds	\$ 15,235,146	\$ 5,232,170

There is a contract in place with the construction manager as of the date of this report.

Note 6 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

<u>Fund Due To</u>	<u>Fund Due From</u>			<u>Total</u>
	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Fiduciary Fund</u>	
General Fund	\$ -	\$ 6,102	\$ 2,268	\$ 8,370
Nonmajor governmental funds	<u>20,138</u>	<u>-</u>	<u>-</u>	<u>20,138</u>
Total	<u>\$ 20,138</u>	<u>\$ 6,102</u>	<u>\$ 2,268</u>	<u>\$ 28,508</u>

Interfund balances from the General Fund represents Section 31D money owed to the Food Services Fund. Interfund balances to the General Fund represent retroactive pay amounts. Interfund balances to the Fiduciary Fund represent transportation fees to be reimbursed.

Note 6 - Interfund Receivables, Payables, and Transfers (Continued)**Interfund Transfers**

	Transfers Out - General Fund
	<u> </u>
Transfers in - Special Revenue Funds:	
Food Services Fund	\$ 20,138
Athletics Fund	<u>214,000</u>
Total	<u>\$ 234,138</u>

Transfers subsidized operations in Special Revenue Funds.

Note 7 - Long-term Debt

The School District issues bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the School District. Notes and installment purchase agreements are also general obligations of the School District.

Long-term obligation activity can be summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Bonds	\$ 44,620,000	\$ -	\$ 1,390,000	\$ 43,230,000	\$ 1,395,000
Less unamortized bond issuance costs	(120,295)	-	-	(120,295)	
Durant Non-Plaintiff Bond	<u>97,157</u>	<u>-</u>	<u>-</u>	<u>97,157</u>	<u>-</u>
Total bonds payable	44,596,862	-	1,390,000	43,206,862	1,395,000
Installment purchase agreement	113,087	112,242	22,617	202,712	22,617
Notes - School bond loan	<u>8,051,401</u>	<u>2,013,542</u>	<u>-</u>	<u>10,064,943</u>	<u>-</u>
Total governmental activities	<u>\$ 52,761,350</u>	<u>\$ 2,125,784</u>	<u>\$ 1,412,617</u>	<u>\$ 53,474,517</u>	<u>\$ 1,417,617</u>

Allendale Public Schools

Notes to Financial Statements June 30, 2004

Note 7 - Long-term Debt (Continued)

Annual debt service requirements to maturity for the above governmental bond and note obligations are as follows:

	Governmental Activities		
	Principal	Interest	Total
2005	\$ 1,440,065	\$ 2,064,813	\$ 3,504,878
2006	1,462,426	2,016,373	3,478,799
2007	1,540,242	1,976,063	3,516,305
2008	1,553,145	1,906,652	3,459,797
2009	1,545,914	1,845,412	3,391,326
2010-2014	8,028,077	8,235,984	16,264,061
2015-2019	9,360,000	6,200,501	15,560,501
2020-2024	9,660,000	3,767,802	13,427,802
2025-2029	5,640,000	1,704,463	7,344,463
2030-2032	3,300,000	338,250	3,638,250
Total	<u>\$ 43,529,869</u>	<u>\$ 30,056,313</u>	<u>\$ 73,586,182</u>

Governmental Activities

General obligation bonds consist of the following:

\$27,325,000 2002 School Building and Site Bonds due in annual installments of \$675,000 to \$1,100,000 through May 1, 2032; interest at 3.000% to 5.125%	\$ 25,975,000
\$6,795,000 2001 Refunding Bonds due in annual installments of \$640,000 to \$770,000 through May 1, 2013; interest at 4.00% to 4.65%	6,570,000
\$2,000,000 1998 School Building and Site Bonds due in annual installments of \$50,000 to \$75,000 through May 1, 2027; interest at 4.625% to 5.100%	1,575,000
\$9,275,000 1997 Refunding Bonds due in annual installments of \$30,000 to \$820,000 through May 1, 2024; interest at 4.00% to 5.125%	<u>9,110,000</u>
Total bonded debt	<u>\$ 43,230,000</u>

Note 7 - Long-term Debt (Continued)

Durant Non-Plaintiff Bond - Included in Governmental Activities General Obligation Bonds is the Durant Non-Plaintiff Bond. Annual total payments (principal and interest) associated with this bond are funded by the State of Michigan via specifically appropriated State Aid and will not require any School District debt levy or utilization of any other School District financial resources. The Durant Non-Plaintiff Bond is comprised of the following issue:

\$152,078 School Improvement Bond Issue, Series 1998, due in annual installments of \$7,361 to \$35,176 through May 15, 2013; interest at 4.8 percent.

Notes consist of the following:

Date	Original Amount	Due Date	Interest Rate	Remaining to Maturity	
				Interest	Principal
11/21/02	\$ 113,087	11/20/07	5.4%	\$ 12,213	\$ 90,470
10/17/03	<u>112,242</u>	11/01/08	3.7%	<u>12,655</u>	<u>112,242</u>
Total	<u>\$ 225,329</u>			<u>\$ 24,868</u>	<u>\$ 202,712</u>

Other governmental activities long-term obligations include the following:

School bond loan \$ 10,064,943

School Bond Loan - The school bond loan payable represents notes payable to the State of Michigan for loans made to the School District, as authorized by the 1963 State of Michigan Constitution, for the purpose of paying principal and interest on general obligation bonds of the School District issued for capital expenditures. Interest rates are to be determined by the State Administrative Board. Interest, ranging from 2.625 percent to 2.875 percent, has been assessed at four different times throughout the year ended June 30, 2004. Repayment is required when the millage rate necessary to cover the annual bonded debt service falls below 7 mills. The School District is required to levy 7 mills and repay to the State any excess of the amount levied over the bonded debt service requirements. Due to the variability of the factors that affect the timing of repayment, including the future amount of State-equalized value of property in the School District, no provision for repayment has been included in the above amortization schedule.

Note 7 - Long-term Debt (Continued)

Deceased Debt - In prior years, the School District defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the general purpose financial statements. On May 1, 2004, the \$14,850,000 of bonds outstanding was called; therefore, at June 30, 2003, the amount of bonds outstanding is \$0.

Note 8 - Risk Management

The School District is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The School District has purchased commercial insurance for teachers' medical benefits claims and participates in the SET-SEG risk pool for all other claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The shared-risk pool program in which the School District participates operates as a common risk-sharing management program for school districts in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

Note 9 - Defined Benefit Pension Plan and Postemployment Benefits

Plan Description - The School District participates in the Michigan Public School Employees' Retirement System (MPERS), a statewide, cost-sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan that covers substantially all employees of the School District. The MPERS provides retirement, survivor, and disability benefits to plan members and their beneficiaries. The Michigan Public School Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the MPERS. That report may be obtained by writing to the MPERS at P.O. Box 30171, Lansing, MI 48909-7671.

Funding Policy - Employer contributions to the MPERS result from the implementing effects of the School Finance Reform Act. Under these procedures, each school district is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis.

Note 9 - Defined Benefit Pension Plan and Postemployment Benefits (Continued)

The pension benefit rate totals 12.99 percent for the period from July 1, 2003 through June 30, 2004 of the covered payroll to the plan. Basic plan members make no contributions, but Member Investment Plan members contribute at rates ranging from 3 percent to 4.3 percent of gross wages. The School District's contributions to the MPSERS plan for the years ended June 30, 2004, 2003, and 2002 were \$1,247,533, \$1,083,707, and \$1,056,718, respectively.

Postemployment Benefits - Under the MPSERS Act, all retirees participating in the MPSERS pension plan have the option of continuing health, dental, and vision coverages. Retirees having these coverages contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent of the monthly premium amount for the health, dental, and vision coverages. Required contributions for post-employment health care benefits are included as part of the School District's total contribution to the MPSERS plan discussed above.

Note 10 - State Aid Anticipation Note

On August 21, 2003, Allendale Public Schools borrowed \$2,000,000 in a State Aid Anticipation Note. The note bears interest at 1.03 percent and is due August 21, 2004. At June 30, 2004, Allendale Public Schools has accrued interest of \$17,682 on this note.

Note 11 - Subsequent Events

On August 21, 2004, the School District borrowed \$2,200,000 at 1.57 percent annual interest on a State Aid Anticipation Note. The note, plus interest, is due August 21, 2005.

Note 12 - Commitment and Contingent Liabilities

The School District has a possible contingent liability owed to its teachers based on a formula that compares key components of state funding and expenses for the School District for the 2003-2004 school year and compares it to the 2004-2005 school year.

Required Supplemental Information

Allendale Public Schools

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2004

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Revenue				
Local sources	\$ 1,745,312	\$ 1,740,412	\$ 982,264	\$ (758,148)
State sources	12,707,149	12,572,378	13,232,632	660,254
Federal sources	493,874	535,571	507,434	(28,137)
Interdistrict sources	847,715	853,572	768,026	(85,546)
Total revenue	15,794,050	15,701,933	15,490,356	(211,577)
Expenditures				
Current:				
Basic programs:				
Elementary school	3,515,492	3,419,788	3,422,085	2,297
Middle school	1,688,268	1,667,237	1,684,666	17,429
High school	2,215,668	2,250,424	2,247,072	(3,352)
Added needs:				
Summer school and driver education	75,633	72,847	73,388	541
Special education	1,503,967	1,490,076	1,473,390	(16,686)
Compensatory education	191,508	280,088	259,183	(20,905)
Gifted and talented	11,026	11,026	460	(10,566)
Adult education and consortium	814,157	764,314	722,718	(41,596)
Four-year-old at-risk program	46,200	40,814	34,934	(5,880)
Leisure enrichment, preschool, and latchkey	123,066	130,067	117,216	(12,851)
Pupil/Staff support services:				
Pupil counseling	409,412	415,608	392,861	(22,747)
Curriculum	169,980	129,689	110,077	(19,612)
Library services	224,464	243,657	240,825	(2,832)
Audio-visual services	15,950	15,950	8,735	(7,215)
Educational television	1,300	1,300	201	(1,099)
Computer-assisted education	256,483	245,161	282,533	37,372
Human resources	101,970	108,142	92,095	(16,047)
Administration, operations, and transportation:				
Board of Education	96,380	121,630	115,448	(6,182)
Office of the superintendent	254,682	260,340	258,596	(1,744)
Offices of the principals	862,615	882,471	857,733	(24,738)
Business services	332,178	331,300	340,196	8,896
Operations and maintenance	1,652,906	1,635,929	1,668,669	32,740
Transportation	765,080	790,753	771,120	(19,633)
Other community services	-	4,000	3,024	(976)
Athletics	-	-	1,869	1,869
Total expenditures	15,328,385	15,312,611	15,179,094	(133,517)
Other Financing Sources (Uses)				
Transfers out	(455,500)	(257,237)	(234,138)	(23,099)
Intergovernmental transfers	-	-	(37,415)	37,415
Proceeds from debt issuance	-	-	112,242	112,242
Total other financing sources (uses)	(455,500)	(257,237)	(159,311)	97,926
Net Change in Fund Balance	10,165	132,085	151,951	19,866
Fund Balance - July 1, 2003	648,550	648,550	648,550	-
Fund Balance - June 30, 2004	<u>\$ 658,715</u>	<u>\$ 780,635</u>	<u>\$ 800,501</u>	<u>\$ (208,786)</u>

Other Supplemental Information

Allendale Public Schools

		Special Revenue Funds	
		Food	
		Services	Athletics
Assets			
Cash and investments		\$ 45,713	\$ 6,805
Receivables - Net - Taxes		-	-
Due from other funds		20,138	-
Inventories		6,495	-
Total assets		<u>\$ 72,346</u>	<u>\$ 6,805</u>
Liabilities and Fund Balances			
Liabilities			
Accounts payable		\$ -	\$ 93
Salaries and other accrued liabilities		5,725	-
Due to other funds		-	6,102
Deferred revenue		-	-
Total liabilities		5,725	6,195
Fund Balances			
Reserved:			
Inventories		6,495	-
Debt service		-	-
Unreserved - Undesignated, reported in Special Revenue Funds		60,126	610
Total fund balances		66,621	610
Total liabilities and fund balances		<u>\$ 72,346</u>	<u>\$ 6,805</u>

**Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2004**

Debt Service Funds						
1992 Issue	1994 Issue	1997 Issue	1998 Issue	2001 Issue	2002 Issue	Total
\$ 977	\$ 190,906	\$ 8,182	\$ 2,613	\$ 5,865	\$ 19,095	\$ 280,156
2,324	24,783	13,031	3,565	8,151	-	51,854
-	-	-	-	-	-	20,138
-	-	-	-	-	-	6,495
\$ 3,301	\$ 215,689	\$ 21,213	\$ 6,178	\$ 14,016	\$ 19,095	\$ 358,643
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 93
-	-	-	-	-	-	5,725
-	-	-	-	-	-	6,102
2,324	24,783	13,031	3,565	8,151	-	51,854
2,324	24,783	13,031	3,565	8,151	-	63,774
-	-	-	-	-	-	6,495
977	190,906	8,182	2,613	5,865	19,095	227,638
-	-	-	-	-	-	60,736
977	190,906	8,182	2,613	5,865	19,095	294,869
\$ 3,301	\$ 215,689	\$ 21,213	\$ 6,178	\$ 14,016	\$ 19,095	\$ 358,643

Allendale Public Schools

	Special Revenue Funds	
	Food Services	Athletics
Revenue		
Local	\$ 319,453	\$ 90,908
Federal	169,846	-
Total revenue	489,299	90,908
Expenditures		
Current:		
Food services	485,977	-
Athletics	-	304,513
Debt service:		
Principal	-	-
Interest	-	-
Other expenditures	-	-
Capital outlay	11,802	-
Total expenditures	497,779	304,513
Excess of Expenditures Over Revenue	(8,480)	(213,605)
Other Financing Sources (Uses)		
Transfers in	20,138	214,000
Bond defeasance refund	-	-
Long-term debt issued	-	-
Total other financing sources (uses)	20,138	214,000
Net Change in Fund Balances	11,658	395
Fund Balances - Beginning of year	54,963	215
Fund Balances - End of year	<u><u>\$ 66,621</u></u>	<u><u>\$ 610</u></u>

Other Supplemental Information
Combining Statement of Revenue, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2004

Debt Service Fund						
1992 Issue	1994 Debt	1997 Debt	1998 Debt	2001 Debt	2002 Debt	Total
\$ 45,453	\$ 168,988	\$ 396,599	\$ 124,713	\$ 283,271	\$ 927,996	\$ 2,357,381
-	-	-	-	-	-	169,846
45,453	168,988	396,599	124,713	283,271	927,996	2,527,227
-	-	-	-	-	-	485,977
-	-	-	-	-	-	304,513
60,000	500,000	30,000	50,000	75,000	675,000	1,390,000
3,780	27,000	468,714	79,312	282,295	1,733,888	2,594,989
275	400	275	337	275	275	1,837
-	-	-	-	-	-	11,802
64,055	527,400	498,989	129,649	357,570	2,409,163	4,789,118
(18,602)	(358,412)	(102,390)	(4,936)	(74,299)	(1,481,167)	(2,261,891)
-	-	-	-	-	-	234,138
-	187,192	-	-	-	-	187,192
12,859	346,804	97,532	2,382	69,881	1,484,084	2,013,542
12,859	533,996	97,532	2,382	69,881	1,484,084	2,434,872
(5,743)	175,584	(4,858)	(2,554)	(4,418)	2,917	172,981
6,720	15,322	13,040	5,167	10,283	16,178	121,888
<u>\$ 977</u>	<u>\$ 190,906</u>	<u>\$ 8,182</u>	<u>\$ 2,613</u>	<u>\$ 5,865</u>	<u>\$ 19,095</u>	<u>\$ 294,869</u>

Other Supplemental Information
Schedule of Bonded Indebtedness
Year Ended June 30, 2004

June 30	Durant Principal	2002 Issue Principal	2001 Issue Principal	1998 Issue Principal	1997 Issue Principal
2005	\$ -	\$ 675,000	\$ 640,000	\$ 50,000	\$ 30,000
2006	7,361	675,000	655,000	50,000	30,000
2007	35,176	675,000	700,000	50,000	35,000
2008	8,079	675,000	740,000	50,000	35,000
2009	8,464	675,000	755,000	50,000	35,000
2010	8,866	700,000	770,000	50,000	40,000
2011	9,288	700,000	770,000	75,000	40,000
2012	9,730	700,000	770,000	75,000	40,000
2013	10,193	700,000	770,000	75,000	45,000
2014	-	775,000	-	75,000	820,000
2015	-	850,000	-	75,000	820,000
2016	-	935,000	-	75,000	815,000
2017	-	1,000,000	-	75,000	810,000
2018	-	1,075,000	-	75,000	805,000
2019	-	1,075,000	-	75,000	800,000
2020	-	1,075,000	-	75,000	795,000
2021	-	1,075,000	-	75,000	790,000
2022	-	1,075,000	-	75,000	780,000
2023	-	1,075,000	-	75,000	775,000
2024	-	1,075,000	-	75,000	770,000
2025	-	1,075,000	-	75,000	-
2026	-	1,075,000	-	75,000	-
2027	-	1,075,000	-	75,000	-
2028	-	1,090,000	-	-	-
2029	-	1,100,000	-	-	-
2030	-	1,100,000	-	-	-
2031	-	1,100,000	-	-	-
2032	-	1,100,000	-	-	-
	\$ 97,157	\$ 25,975,000	\$ 6,570,000	\$ 1,575,000	\$ 9,110,000
Principal payments due	May 15	May 1	May 1	May 1	May 1
Interest payments due	May 15	May 1 and November 1	May 1 and November 1	May 1 and November 1	May 1 and November 1
Interest rate	4.8%	3.0% to 5.1%	4.0% to 4.7%	4.6% to 5.1%	4.0% to 5.2%
Original issue	\$ 152,078	\$ 27,325,000	\$ 6,795,000	\$ 2,000,000	\$ 9,275,000